

Damaging Cuts and Freezes

According to Budget Director Joshua Bolten, President Bush instructed him to “build on last year’s progress by focusing on national priorities and tightening our belt elsewhere.” It is clear from this Administration’s budget that providing outsized tax cuts to the most fortunate members of our society is of paramount importance. It is also clear that children and families, senior citizens, students, and local governments will have to tighten their belts.

The President’s 2007 budget increases discretionary spending from \$843.3 billion in 2006 to \$870.7 billion in 2007, an increase of 3.2 percent. This modest increase reflects large increases in the defense budget and overall cuts for vital domestic programs. Specifically, domestic non-homeland discretionary spending is cut \$5.3 billion below the 2006 enacted level and \$16.8 billion below the amount needed to maintain purchasing power at the 2006 level. Over five years, domestic funding is cut \$183.1 billion below the amount needed to maintain constant purchasing power. This amount includes the 141 federal programs targeted for substantial reduction or elimination by the Administration. For example, the Department of Education eliminates 42 programs costing \$3.5 billion per year. Among these programs targeted for elimination are Vocational Education, GEAR UP, and Safe and Drug-Free Schools State Grants.

The Administration is proposing \$66.6 billion in net mandatory spending cuts over five years (excluding outlay effects of tax changes) and \$176.6 billion in net cuts over 10 years to existing programs. This includes \$35.9 billion in cuts to Medicare over five years and \$105.0 billion in cuts over ten years. It also includes \$4.9 billion over five years and \$11.9 billion over ten years in gross legislative cuts to Medicaid. (There are additional cuts to Medicaid via regulations of \$12.2 billion over five years and \$30.4 billion over ten years.)

The budget assumes that the 2001 and 2003 tax cuts – which include repeal of the estate tax and favorable rates for capital gains and dividends – are made permanent at a cost of \$178.6 billion

Damaging Cuts in the President’s Budget (Illustrative List)

- ☐ **Medicare:** Makes legislative cuts of \$35.9 billion over five years and \$105.0 billion over ten years
- ☐ **Medicaid:** \$17.2 billion in gross legislative and regulatory cuts over five years and \$42.3 billion over ten years
- ☐ **No Child Left Behind:** Funded at \$15.4 billion below authorized level
- ☐ **Veterans Medical Care:** Provides \$10.1 billion less over five years than amount needed to maintain current services
- ☐ **Environmental Protection Agency:** Cuts funding by \$304 million (4.0 percent) below 2006 enacted level
- ☐ **Community Development Block Grant:** Cuts \$736 million from 2006 non-emergency funding levels

over five years and \$1.353 trillion over ten years. And while Medicare is cut for the elderly, the Bush Administration provides \$51.7 billion over five years (\$136.5 billion over ten years) in tax breaks for health saving accounts and other proposals favoring the healthy and the affluent. And the total is about \$20 billion higher over ten years when the outlay effects are taken into account. Overall, the Administration, which is touting its fiscal restraint with respect to non-security discretionary funding, is pushing for \$1.667 trillion in extensions and new tax cuts over ten years.

Domestic Funding Cut Deeply							
(Discretionary Non-Defense, Non-International Budget Authority in Billions of Dollars)							
	2006	2007	2008	2009	2010	2011	2007-11
President's budget	379.6	375.8	376.1	379.5	379.5	380.4	1891.2
OMB baseline level	382.0	391.8	403.3	416.5	425.6	437.1	2074.3
President below baseline	n.a.	-16.0	-27.2	-37.0	-46.1	-56.8	-183.1
Percent below baseline	n.a.	-4.1%	-6.7%	-8.9%	-10.8%	-13.0%	n.a.

Cuts Affecting Children, Families, and the Elderly

Legislative Cuts to Medicare of \$105 Billion Over Ten Years — The budget makes legislative cuts to Medicare of \$35.9 billion over five years and \$105 billion over ten years by reducing payments for providers in traditional Medicare. The budget also includes regulatory cuts of \$7.9 billion over five years and \$19.0 billion over ten years. Excluding already published regulations, the regulatory savings are \$5.4 billion over five years and \$13.2 billion over ten years.

\$17.2 Billion in Gross Cuts to Medicaid Over Five Years, \$42.3 Billion Over Ten Years — The budget includes legislative cuts to Medicaid of \$4.9 billion over five years, and another \$12.2 billion in cuts through regulatory changes, for total gross cuts of \$17.2 billion over five years. Over ten years, the budget includes \$11.9 billion in legislative cuts, and \$30.4 billion in regulatory cuts, for total gross cuts of \$42.3 billion. (The budget also reinvests \$3.2 billion in Medicaid over five years and \$6.8 billion over ten years, for a net effect in Medicaid legislative and regulatory cuts of \$14.0 billion over five years and \$35.5 billion over ten years.) Cuts of this magnitude cannot be found by simply closing loopholes – the pain will be felt somewhere, either by shifting costs to beneficiaries or states or cutting payments to providers, which can undermine their ability to provide care to the uninsured.

Cuts Housing for the Disabled and Elderly — The budget provides \$119 million for a program that provides supportive housing and other housing assistance for persons with disabilities, 49.8 percent less than the amount enacted for 2006. The budget also provides \$546 million for a similar housing program for the elderly, a cut of \$189 million, or 25.7 percent, from the 2006 level.

Cuts Education Funding by \$2.1 Billion; Eliminates 42 Programs — Despite the Administration's stated intent to strengthen American competitiveness by focusing on improving students' knowledge of math and science, the President's budget cuts federal education funding by \$2.1 billion below the comparable 2006 enacted level, which itself was below the 2005 enacted level. Within ED's 2007 budget of \$54.4 billion, the budget freezes or reduces funding for most programs and produces "savings" of \$4.1 billion by outright eliminating 42 appropriated programs that Congress funded less than two months ago, for savings of \$3.5 billion, plus recalling all prior federal contributions to the revolving funds from which colleges currently make Perkins loans, for additional 2007 savings of \$664 million. These eliminated programs cover elementary, secondary, and higher education programs – including all vocational education and technology programs, the \$347 million Safe and Drug-Free School state grant program, and the \$311 million TRIO Upward Bound program.

Cuts Funding for High School Achievement — Funding aimed at improving high school achievement receives \$596 million of ED's net cut. The budget includes a new \$1.5 billion high school reform program, but more than offsets this new funding by eliminating \$2.1 billion for existing high school programs – including the elimination of all vocational education programs, mentioned above.

Funding Cut for Existing Programs Under the No Child Left Behind Act (NCLB) Act — The NCLB Act authorizes \$39.4 billion for elementary and secondary education programs for 2007, including \$25.0 billion for Title I grants to states. Yet, the President's budget cuts overall funding for existing NCLB programs, freezes Title I at \$12.7 billion, adds its new high school and math programs, and still provides only \$24.0 billion for NCLB programs – \$15.4 billion below the authorized level.

Freezes Head Start — The budget freezes Head Start funding at \$6.8 billion. The National Head Start Association reports that if Head Start maintains its quality of services, a freeze in funding will require it to drop 19,000 children from the program next year.

Elimination of Social Security Death Benefit — Dependent spouses or eligible children are entitled to a one-time lump-sum payment of \$255. This benefit has been part of the Social Security insurance package since 1950 and has been earned by workers through their payroll tax contributions. While the savings are modest, the proposal illustrates the Bush Administration's

willingness to cut guaranteed Social Security benefits, even those, quite literally, paid to widows and orphans. Elimination of such benefits saves \$989 million over five years.

Cuts Affecting Public Health and Research

Freezes Funding for NIH — Republicans often tout the fact that they doubled the NIH budget from 1998 to 2003. But now the budget provides \$28.4 billion for 2007, virtually a freeze at the 2006 enacted level, and a cut of \$642 million below the amount needed to maintain purchasing power at the 2006 level.

Cuts CDC — The budget provides \$5.8 billion for CDC, a cut of \$290 million (4.8 percent) below the 2006 level. The budget eliminates the Preventive Health and Social Services Block Grant (\$99 million), cuts funding for buildings and facilities from \$158 million to \$30 million, and freezes funding for state and local emergency response preparedness at \$824 million.

Eliminates Several HRSA Programs — The budget eliminates several HRSA programs, including health professions training grants (\$99 million in 2006), EMS for children (\$20 million in 2006), Universal Newborn Screening (\$10 million in 2006), and the Traumatic Brain Injury program (\$9 million in 2006).

Slashes Rural Health Activities — The budget provides \$27 million for rural health activities, a \$133 million (83.1 percent) cut from the 2006 enacted level.

Cuts Children's Hospital Graduate Medical Education — The budget funds children's GME at \$99 million, a cut of \$198 million (66.7 percent) below the 2006 enacted level.

Cuts Affecting Veterans

Funding for Veterans Medical Care — Over five years, the budget cuts veterans funding \$10.1 billion below the level estimated to maintain purchasing power at the 2006 level. Almost all appropriated funding for veterans goes to provide medical care and hospital services.

Cuts Affecting the Environment

Environmental Protection Agency (EPA) Funding Cut Again — For 2007, the President's budget once again cuts EPA funding, providing \$7.3 billion in appropriations, a 4.0 percent (\$304 million) decrease from the 2006 enacted level. The Clean Water State Revolving Fund is provided only \$688 million for 2007, a cut of \$199 million, or 22.4 percent, from the 2006 enacted level. Funding for environmental justice programs, which protect the health and welfare of low-income and minority communities from environmental toxins related to industrial

pollution, is also significantly cut by nearly \$2 million, or 27.8 percent, below the 2006 enacted level.

Cuts Services for Farmers and Ranchers — The President once again cuts vital Farm Bill programs that would help farmers and ranchers protect and enhance natural resources by over \$450 million for 2007 alone. This is in addition to the \$249 million in conservation cuts for 2007 in the 2005 Republican spending reconciliation bill. The President's budget caps the Conservation Security Program (CSP) at \$342 million. The budget cuts the Environmental Quality Incentives Program (EQIP) by \$270 million (21.3 percent), the Wildlife Habitat Incentives Program (WHIP) by \$30 million (35.3 percent), the Agriculture Management Assistance program by \$14 million (70.0 percent), and Farmland Protection by \$47 million (48.5 percent). The budget also eliminates the remaining Watershed Rehabilitation Program funds (\$65 million). These cuts are just some examples.

Unmet Fire Prevention Needs — The President's budget provides \$244 million for State and Private Forestry, a cut of \$35 million (12.5 percent) from the 2006 enacted level. Forest Health Management is provided \$84 million, a cut of \$16 million (15.9 percent). The budget also provides \$33 million for the State and Local Fire Assistance Program and eliminates the Rural Fire Assistance program, a combined cut of \$16 million (32.6 percent).

Cuts Affecting Public Safety

First Responders — The budget decreases firefighter assistance grants by \$355 million and eliminates all funding for law enforcement terrorism prevention, a reduction of \$385 million. The budget again proposes elimination of the Justice Assistance grant program, a reduction of \$388 million.

The Community Oriented Policing Services (COPS) Program Nearly Eliminated — COPS provides grants and other assistance to help communities hire, train, and retain police officers and to improve law enforcement technologies. The budget provides \$102 million for COPS for 2007, most of which is funding that is carried over from previous years. This represents a \$376 million (78.7 percent) cut below the 2006 enacted level. The budget also permanently reduces unobligated balances in the program by \$128 million for 2007, thus setting the program on the path for elimination.

Bureau of Alcohol, Tobacco, Firearms and Explosives Cut — The Bureau of Alcohol, Tobacco, Firearms, and Explosives investigates and enforces laws relating to the items for which it is named. The budget provides \$860 million for the Bureau, a \$72 million (7.7 percent) cut below last year's level. The budget proposes that the agency collect an additional \$120 million in user fees for 2007 to help offset costs of the Bureau's regulation of the explosives industry.

Violence Against Women Programs Cut — Violence Against Women programs provide varied assistance to prevent and prosecute abuse committed against women. The budget provides \$347 million for Violence Against Women programs for 2007, a \$35 million (9.2 percent) cut below last year's level.

Cuts Affecting Communities

Community Development Block Grant (CDBG) Program Cut — The CDBG program enables states and localities to target federal formula grants and other financial assistance toward improving housing and economic conditions in low- and moderate-income neighborhoods. Last year, the CDBG program proved crucial in helping to provide emergency assistance to communities devastated by natural disasters, including hurricane Katrina. The budget cuts CDBG formula grants and either cuts or eliminates CDBG set-aside programs.

The budget provides \$3.0 billion for CDBG formula grants, a \$736 million cut below the 2006 non-emergency level. The budget cuts the Indian Tribe assistance set-aside program by \$75 million (54.7 percent) below last year's level, and cuts the Youthbuild program by \$14 million (21.9 percent) below last year's level while moving the program from HUD to the Department of Labor. The budget eliminates Economic Development Initiative grants.

Rural Housing and Economic Development Program Eliminated — The Rural Housing and Economic Development program provides funds to improve housing and economic development among rural communities. The budget eliminates the Rural Housing and Economic Development program, which is currently funded at \$17 million.

Community Development Financial Institutions (CDFI) Program Cut — The CDFI enables specialized financial institutions to provide an array of funds and services to promote economic development among low-income and/or native communities. The President's budget provides \$8 million for the CDFI program, a \$46 million (85.2 percent) cut below last year's level.

Rural Community Advancement (RCA) Program Cut — The RCA program provides grants, loans, and loan guarantees to stimulate economic growth and build facilities in rural communities. The budget provides \$601 million for the RCA, a \$117 million (16.3 percent) cut below the 2006 enacted level.

High Energy Costs Grants Eliminated — The High Energy Costs Grants program provides funds to improve energy facilities among communities that have residential energy costs equal to at least 275 percent of the national average. The budget eliminates the high energy costs grants program, which is funded at \$26 million for 2006.

Legal Services Corporation Cut — The Legal Services Corporation provides free legal assistance for low-income people. The President’s budget provides \$311 million for the Legal Services Corporation, a \$16 million (4.9 percent) cut below the 2006 level.

Rescinds Funding for HOPE VI Rehabilitation of Distressed Public Housing — The budget rescinds the \$99 million provided for the HOPE VI program for 2006 and proposes no new funding for 2007. HOPE VI has successfully transformed severely distressed public housing projects into vibrant mixed-income neighborhoods. This program’s funding has declined steeply since 2003, when it received \$570 million.

Cuts Public Housing Capital Fund by More Than One-Tenth — The budget provides \$2.2 billion to local public housing authorities for capital repairs and improvements to their housing stock. This amount is \$261 million, or 10.7 percent, below the 2006 level. The capital fund was funded at \$3.0 billion for 2001 and has received steadily less each year since then.

Funding Cuts for the Essential Air Service (EAS) and Small Community Air Service Programs — The President’s 2007 budget once again cuts funding more than 50 percent for the EAS program, which provides financial assistance to rural communities geographically isolated from hub airports so that they may operate smaller airports, by establishing a \$50 million cap. The proposal would also create three categories of communities based on distance to a hub airport and establish cost-sharing criteria.

In addition, as in previous years, the President does not include any funds for the Small Community Air Service Program, which helps communities that suffer from infrequent service and high air fares, a cut of \$10 million from the 2006 level. Congress authorized \$35 million per year for this program as part of the 2004 Federal Aviation Administration (FAA) reauthorization bill.

Amtrak Funding Slashed Again — The President’s budget provides only \$900 million for Amtrak, a cut of \$394 million, or 30.4 percent, from the 2006 enacted level. The budget provides \$500 million for Amtrak’s capital expenses (a \$272 million cut from the 2006 enacted level), but it does not provide any direct funding to cover Amtrak’s operating expenses. Instead, the President’s budget provides \$400 million in “efficiency incentive grants,” which DOT may issue to Amtrak for operating expenses based on the progress Amtrak makes in undertaking the Administration’s reform initiatives.

Eliminates Community Services Block Grant — The budget eliminates the Community Services Block Grant and other community services programs, cutting \$670 million for a range of services to reduce poverty and to provide assistance in the areas of housing, health, nutrition, energy, and substance abuse.

Slashes the Social Services Block Grant (Title XX) —The budget cuts the Social Services Block Grant (SSBG) by \$500 million for 2007, for a total funding level of \$1.2 billion. This grant provides states with broad discretion to use these funds for social services such as child care, child welfare, home-based services, employment services, adult protective services, prevention and intervention programs, and special services for the disabled. One of the Administration’s main justifications for cutting SSBG funding is that “the flexibility of the SSBG makes it difficult to measure performance.” However, the 2007 budget moves numerous programs – such as rental assistance and foster care – in the direction of becoming flexible block grants.

Cuts Affecting Competitiveness

Slashes Funding for the Manufacturing Extension Partnership — The budget provides \$46 million for the Manufacturing Extension Partnership, a 56.2 percent cut from the 2006 enacted level of \$105 million. This program, which also receives state, local, and private funding, provides information and consulting services to help small businesses adopt advanced manufacturing technologies and business practices that will help them compete in a global market. Funding for the program has fluctuated dramatically in recent years, going from \$106 million for 2003 to \$40 million for 2004, and back to \$108 million for 2005 and \$105 million for 2006 before the budget slashes funding once again for 2007.

Terminates the Advanced Technology Program — The budget ends the Advanced Technology Program, which provides assistance to U.S. businesses and joint ventures to improve their competitive position. The goal of the program is to accelerate the commercialization of technology that is risky to develop but promises significant national economic benefits. This program received \$79 million in 2006.

Consolidates Training Programs into Personal Accounts and Cuts the Funding — The President’s budget consolidates six existing job training programs, cuts their funding by \$496 million (12.7 percent), and provides the funding through personal Career Advancement Accounts of up to \$3,000 for certain individuals.